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SUBJECT: DEMINING: ALLEGATIONS OF FRAUD AND MALFEASANCE IN  
USG SUPPORTED PROGRAMS

REF: SARAJEVO 2706

Classified By: Amb. Douglas McElhaney for reasons 1.4 (b) and (d)

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SUMMARY  
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¶1. (S) In response to the August arrest of Radomir Kojic, a prominent figure in the demining community, we have begun to receive allegations of fraud and abuse in humanitarian demining work in Bosnia. There are reports that demining operations throughout Bosnia may suffer from large and systemic levels of fraud and abuse. Ongoing criminal investigations continue to link major figures within the demining community to organized crime, and these individuals are alleged to have embezzled funds, including USG monies, from demining operations. We also heard allegations of widespread malfeasance on the part of contractors and the International Trust Fund (ITF), which implements USG and other demining donors, demining programs in Bosnia. Senior Bosnian government officials and other important figures in the humanitarian demining community have also raised concerns. We believe the charges require review by appropriate USG authorities. End summary.

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CASE AGAINST KOJIC  
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¶2. (S) In late October, the Office of the Prosecutor-General of Bosnia and Herzegovina approached us to request assistance in the prosecution of Radomir Kojic (see reftel). Kojic, who was arrested in a joint NATO-SIPA action in August, is currently awaiting trial on charges of tax evasion, money laundering and embezzlement. Kojic is also under investigation for allegedly arranging 10 contract murders. Among his many commercial enterprises, Kojic had been very active in the humanitarian demining community, and prosecutors believe that he embezzled millions of dollars in international donor funds for use in his organized crime, and possibly war criminal support, network.

¶3. (S) Earlier allegations of fraud resulted in Kojic being barred from receiving demining tenders in 2003, but prosecutors told us they have strong evidence suggesting that Kojic remained active in the demining community well after his debarment. According to prosecutors, Kojic registered shell demining companies under associates' and family members' names that then received international demining assistance. Prosecutors are seeking USG assistance in

providing records of financial and equipment transfers made to Kojic's demining operations to assist in the prosecution of Kojic and determine the full scope of his criminal activities (see reftel). Prosecutors also separately approached the LEGATT about the possibility of interviewing USG officials in relation to the case.

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POST REVIEW RAISES CONCERNS  
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14. (S) As a result of questions raised by the Kojic arrest, we initiated a review of USG funded demining programs in Bosnia. Among other measures, we spent a week traveling throughout Bosnia to examine the demining concerns at a local level. We interviewed numerous people associated with the demining community, including local Bosnia-Herzegovina Mine Action Center (BHMAC) inspectors, deminers, and demining company representatives. At all locations, we heard allegations of systematic and pervasive fraud throughout the demining process.

15. (S) BHMAC inspectors told us that they have been instructed by superiors to falsely declare clean areas as "mined" in order to award fraudulent demining contracts. Even more troubling, they report pressure to falsely declare areas free of mines after shoddy work by ITF contractors. Many local demining officials also assert that the majority of demining organizations on the official ITF tender list are shell companies with no independent demining capacity. We were told these companies were used to give the tender process the appearance of free and open competition and conceal collusion among a select group of bidders. BHMAC employees contend that their organization is complicit in issuing demining licenses to fraudulent companies.

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SENIOR OFFICIALS LEVEL SERIOUS CHARGES  
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16. (S) The Director of BHMAC, Dusan Gavran, and one of the three demining commissioners, Assistant Minister of Foreign Trade Dragisa Mekic, told us that they had evidence that Kojic's front demining companies continued to receive funding until 2005 with the full knowledge of ITF. Gavran alleged that ITF, at the highest levels, was complicit in rewarding tenders to shell companies. Gavran provided a list of seven demining companies on the ITF tender list that he asserts are fraudulent and give kickbacks to ITF in return for tenders (Note. Gavran's list will be sent to PM separately to determine if any USG monies went to these allegedly fraudulent companies. End note). Separately, the Director of the Mine Detection Dog Center for South East Europe (which receives substantial USG support) and former Deputy Director of BHMAC, Nermin Hadzimujagic, said that he had serious concerns over the legitimacy of the current humanitarian demining process, and echoed many of the accusations we had previously heard.

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COMMENT: LOOKING FOR A WAY FORWARD  
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17. (S) Though rumor and innuendo are endemic to Bosnia, the widespread allegations, from multiple sources, of fraud in USG funded demining programs are troubling. At the very least, the Prosecutor-General's case against Kojic has uncovered additional evidence of past abuse of USG demining funds by Kojic and his associates beyond 2003.

18. (S) Failures to fully vet demining contractors, allegations of kickbacks and tender irregularities raise serious questions about ITF and BHMAC competency, and perhaps complicity in criminal activity. An audit or investigation by appropriate authorities would be necessary to gauge the true scope of the problem. With our survey, post has exhausted its capabilities in probing the questions raised

about demining activities in Bosnia. In our opinion, the current ITF regime under which a third party effectively handles millions of dollars in our demining assistance without a thorough and careful vetting of contractors has created a permissive environment for possible corrupt practices, as highlighted by the Kojic matter. There is no doubt that demining programs, and the USG funding that maintains them, remain crucial to the post-conflict development of Bosnia. We recommend that the Department consider investigation and audit of demining expenditures in Bosnia.

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